

AWARD FEES AND THEIR RELATIONSHIP TO CONTRACT SUCCESS



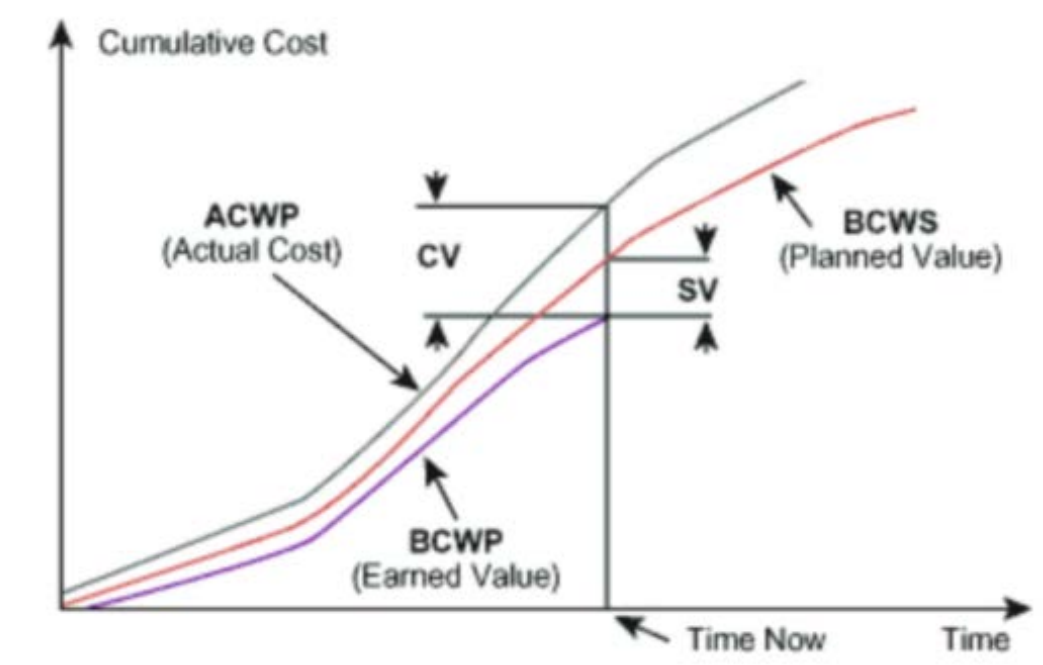
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Overview

The purpose of this research is to determine if a relationship exists between award fee contracts and contract success as measured by earned value management (EVM) or contractor performance assessment ratings. Data was collected from a sample of 13 contracts from a major Navy command. Seven complete data sets were captured.



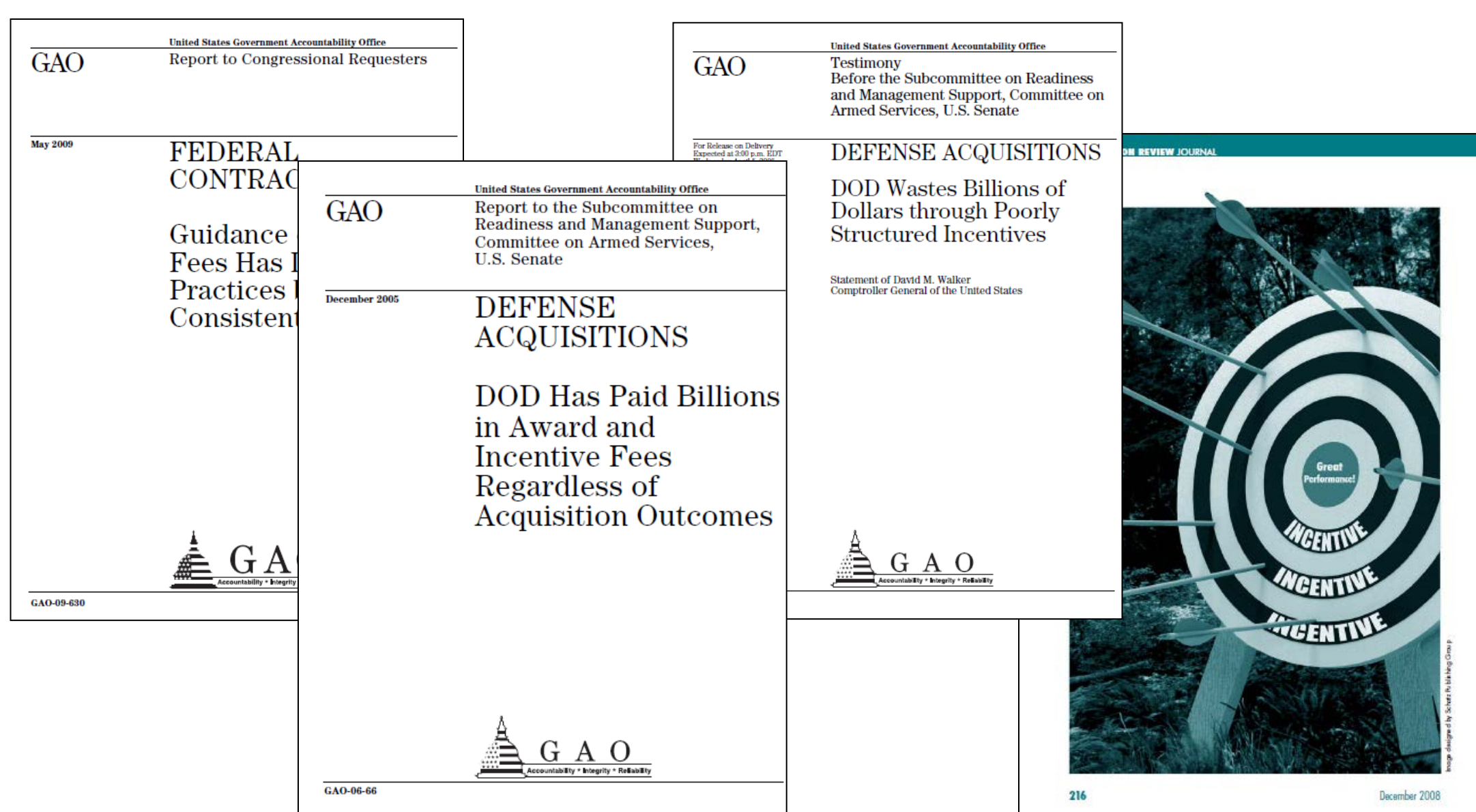
Award fee decisions



Earned Value Management (EVM)

CPARS

Contractor Performance
Assessment Rating System



GAO, IG, and peer reports questioning the effectiveness of award fees

Research Questions

1. How are award fee decisions and EVM related?
2. How are award fee decisions and contractor performance related?
3. How are successful contracts, as identified by EVM and performance ratings, related to other contract elements?

Methods

- Reviewed 13 contract files from a major Navy command
- Utilized the Wilhite, Stover, and Hart (2013) model to determine contract success based on CPARS ratings
- Conducted pairwise correlation to examine the relationship between award fee decisions and CPARS ratings
- Generated descriptive statistics to compare award fee structure to acquisition life cycle phase

	Successes Average Ratings	Failures Average Ratings
Quality	4.19	2.5
Schedule	4.19	2.5
Cost Control	4.1	2.31
Business Relations	4.17	3
Management of Key Personnel	4.18	2.68
Utilization of Small Business	4.07	2.5

Wilhite, Stover, and Hart (2013)
CPARS measures of Contract Success

Conclusions

- Analysis suggests a positive correlation between award fee decisions and CPARS ratings; however, none of the findings are statistically significant.
- Award fee structure compared to acquisition life cycle phase yielded similar results
- Additional data is required to strengthen significance of findings

	award fee earned	technical	production	schedule	cost control	program management
award fee earned	1.000					
# observations	7					
technical	0.108	1.000				
# observations	7	12				
production	0.589	0.538	1.000			
# observations	6	9	9			
schedule	0.384	0.904	0.667	1.000		
# observations	7	11	8	11		
cost control	0.414	0.692	0.811	0.700	1.000	
# observations	7	12	9	11	12	
program management	-0.295	0.692	0.229	0.735	0.294	1.000
# observations	7	12	9	11	12	12

Pairwise Correlation Table